

# From Pricing Pollution to Enumerating Ecologies

Shailaja Fennell

Development Studies

University of Cambridge



UNIVERSITY OF  
CAMBRIDGE

# The current version of the green trade agenda

- The reduction of GHGs by imposing limits on the carbon content of traded goods
- Trade using economic barriers to reduce carbon content (or the red light approach)
- A comparative statics approach (shifting along an isoquant)



# Limitations of the model

- Uncertainty whether this will incentivise the production of new technologies (movement to a new isoquant)
- Imposes penalties on older (but also traditional) carbon based technologies
- Does not bring in the agricultural (or natural) technologies



# Advancing agriculture

- In developing countries, there will be still under half the population in rural areas
- It is developing countries that have raised objections against the developed countries in the WTO for the developed world view is that agriculture is a declining sector and so that objections raised are by those who are opposed to economic development
- The attempts of developing country governments in the enforcement of WTO procedures and the penalties bring in the dimension of equity across nations.



# Expanding the frame

Now that nature's capital including water, old-growth forests, and fishery stocks is becoming scarcer relative to growing stocks of human-made capital, investments in protecting nature's capital and the efficiency of its use are becoming more central to long-term economic sustainability. To achieve long term economic sustainability, we need more than ever before a combination of institutions that restrain short sighted and selfish behavior and that make rules based on flexible and cautious models of the ecology of complex biological systems.

(Becker and Ostrom 1995:129)

# Bringing in biodiversity

- Developing countries contain 80% of the world's biodiversity
- Should take the initiative in refashioning trade relations in new natural resources that are entering the global commodity market
- Pricing these products requires an enumeration of ecological value



# Enumerating Ecologies for Pricing Pollution

- Using value chain analysis to enumerate prices is conducive to capturing co-benefits
- Permits the identification of owners within the domestic sphere, and better allocation of property rights
- Emphasises the need for a regulatory set of institutions that can support and expand the current pricing mechanisms

